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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC No. 00153-85
10 January 1985

MEMORANDUM FOR THE RECORD

FROM: George Kolt
NIO for EUROPE
SUBJECT: Current Situation in Hungary

1. [REDACTED] an internationally known scholar [REDACTED]
[REDACTED] met with [REDACTED] me on 7 January
1985 and gave us his views on the current situation in Hungary. Since he
is spending this academic year in Hungary and was only back in the States
for the holidays, his views are based on first-hand observations and
personal discussions. A number of them run counter to conventional
wisdom (especially B and C below). His main points were:

- A. Kadar will be reelected as First Secretary of the upcoming Party Congress, but he will make numerous changes in the Politburo (people speak of as many as six new members) and Central Committee in order to preserve his dominance in the decisionmaking process.
- B. The economic reforms have been placed on hold pending the emergence of a new and less transitional leadership in Moscow. The Hungarians earned Chernenko's enmity by openly touting Andropov as Brezhnev's successor and are now hoping and saying that Gorbachev will succeed Chernenko. They believe that Gorbachev will be sympathetic to Hungary's economic reforms but are very fearful of Romanov.

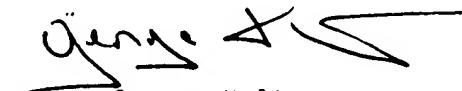
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- C. On the political front there is retrogression. Newly appointed Budapest First Secretary Grosz, a reputed cultural ideologue, has been brought into rid the city of dissidents and to tighten controls over the media. Aczel's influence is wanning because of Kadar's unhappiness with the media's openness. The Soviet Embassy also is active in complaining about unacceptable ideas emerging in print in Budapest.
- D. This political retrogression reflects fear of increased dissatisfaction over such varied issues as economic stagnation, the slowness of economic reforms, social inequality, continued controls over cultural life, mistreatment of the Hungarian minority in Transylvania by the Ceausescu regime and perceived neglect of Hungary's national interest by the leadership.
- E. The regime is concerned enough over the lack of social equality to have appointed, for the first time a Deputy Prime Minister with a portfolio on social issues. But it fears it will not be able to devote enough resources to do much about the problem.
- F. A final and increasingly accute regime concern is over Soviet insistence that the terms of trade between the two countries be rectified in Moscow's favor. The Soviets currently have a ruble surplus and a hard currency deficit in their trade with Hungary. They want to rectify it by forcing the Hungarians to give Moscow more advantageous terms, something which could upset Hungary's precarious financial balancing act. [redacted] most Hungarians are convinced (and he believed this as well) that during the recent visit of Prime Minister Lazar to Moscow to discuss trade, the Soviets conspicuously stopped oil and gas deliveries to Hungary for a few days to demonstrate their economic clout.

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George Kolt

cc: VC/NIC
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